No. 84-446

Office - Supreme Court, U.S.
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SEP 20 1984
ALEXANDER L. STEVAS,
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

HYATT LEGAL SERVICES and JOEL HYATT,
Petitioners,

—v.—

HYATT CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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QUESTIONS PRESENTED

Petitioner Hyatt Legal Services has been operating under the last name of its founding partner, petitioner Joel Hyatt, since its inception in 1977. Respondent, the operator of Hyatt Hotels, challenges its right to use that name.

The Seventh Circuit has ruled that under the Illinois Anti-Dilution Act, Ill. Rev. Stat. ch. 140, § 22 (Supp. 1984), Hyatt Legal Services should be preliminarily enjoined from operating under that name. While the Court of Appeals has not identified the geographic scope of the state-law injunction, respondent has argued that it should apply nationwide.

The Court of Appeals decision raises the following constitutional questions:

1. Does an injunction based solely upon the Illinois Anti-Dilution Act and covering Illinois contravene the Commerce Clause by imposing burdens on Hyatt Legal Services' interstate commerce that are excessive in relation to the local interests that the Illinois statute purportedly serves?*

2. Would such an injunction violate the Due Process and Commerce Clauses as well as fundamental principles of federalism if it covered the entire nation?

3. Where the Lanham Act grants a service mark owner the exclusive right to use a name (HYATT) in limited areas of commerce, does the Supremacy Clause preempt Illinois from expanding that right so as to bar another from using a similar name (Hyatt Legal Services) in other areas of commerce when there is no confusion and no violation of the federal statute?

PARTIES TO THE PROCEEDING

The caption of the case in this Court contains the names of all parties.

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* The Illinois Anti-Dilution Act prohibits "dilution of the distinctive quality" of a trademark or trade name, even where there is no confusion between the similarly named products or services.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioners Hyatt Legal Services and Joel Hyatt respectfully petition for a writ of certiorari to review the judgment of the Court of Appeals for the Seventh Circuit.

OPINIONS BELOW

The opinion of the Court of Appeals, not yet officially reported, is annexed as Appendix A. The opinion of the United States District Court for the Northern District of Illinois (Moran, J.), which has also not been officially reported, is annexed as Appendix B.

JURISDICTION

The judgment of the Court of Appeals, dated June 11, 1984 and entered on that date, is annexed as Appendix C. Peti-

tioners' application for rehearing with suggestion that rehearing be *en banc* was denied on July 24, 1984. (App. D) The Court of Appeals stayed its mandate pursuant to Federal Rule of Appellate Procedure 41(b).

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1). Jurisdiction in the District Court was based on 15 U.S.C. § 1121 and 28 U.S.C. §§ 1332 & 1338(a) and the doctrine of pendent jurisdiction, *United Mine Workers* v. *Gibbs*, 383 U.S. 715 (1968).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

The Illinois Anti-Dilution Act, Ill. Rev. Stat. ch. 140, § 22 (Supp. 1984) provides in pertinent part:

> Every person . . . adopting and using a mark, trade name, label or form of advertisement may proceed by suit, and the circuit court shall grant injunctions, to enjoin subsequent use by another of the same or any similar mark, trade name, label or form of advertisement if there exists a likelihood of injury to business reputation or of dilution of the distinctive quality of the mark, trade name, label, or form of advertisement of the prior user, notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services; . . . .

Article I, section 8, clause 3 of the United States Constitution, the Commerce Clause, provides in pertinent part:

> The Congress shall have Power . . . To regulate Commerce . . . among the several States, ...

Section 1 of the Fourteenth Amendment to the United States Constitution, the Due Process Clause, provides in pertinent part:

> . . . No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

Article VI, clause 2 of the United States Constitution, the Supremacy Clause, provides in pertinent part:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof . . . shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

Section 45 of the Lanham Act, 15 U.S.C. § 1127 (1982), provides in pertinent part:

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; . . . .

STATEMENT OF THE CASE

The Parties

Hyatt Legal Services is a pioneering national law firm offering innovative low-cost services to the millions of persons whose legal needs have not been met by traditional law firms. Because of the demand for, and quality of, its services, the firm has achieved substantial success. Since its founding in 1977 (shortly after this Court's landmark decision in *Bates* v. *State Bar of Arizona*, 433 U.S. 350 (1977)), it has grown from a single office in Cleveland, Ohio to more than 125 offices in 19 jurisdictions. The firm has served more than 360,000 clients and now employs over 350 attorneys.

Advertising has been critical to the firm's growth. The primary medium for its advertising is television and, at any given time, the firm runs identical television advertisements in several states. All of the ads prominently feature both Joel Hyatt, as the firm's spokesperson, and the name "Hyatt Legal Services." As a result of substantial advertising expenditures—more than $3 million in 1983 alone—and seven years of effective legal representation, the firm's name has gained widespread recognition and valuable good will.

Joel Hyatt founded the firm with his partner and Yale Law School classmate, Wayne Willis. Mr. Hyatt's name was chosen as the firm name because, when the firm was formed, Mr. Willis (unlike Mr. Hyatt) was not admitted to the Ohio Bar, a fact that then precluded practicing under his name in Ohio. Under Ohio legal ethics provisions, Hyatt was the only name available.[1]

Respondent Hyatt Corporation ("Hyatt Hotels"), a Delaware corporation, operates a chain of 70 hotels in the United States, including several in Illinois. (App. 13a) In 1971, respondent registered with the United States Patent Office the service mark HYATT under the classification for "hotel, motel and reservation services." (App. 2a)

The Dispute Over Hyatt Legal Services' Right to Use Its Founder's Name

The dispute over the Hyatt name is of recent vintage. When Hyatt Legal Services started its law practice in Cleveland, Hyatt Corporation did not have any hotels in Ohio. And during the first four years of the law firm's growth, it heard

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1 Mr. Hyatt's name at birth was Joel Hyatt Zylberberg. Shortly after he graduated from law school in 1976 (long before the opinion in *Bates* and long before he opened a law office), he dropped "Zylberberg" because it was unpronounceable. The District Court found that this change was "unrelated" to the conception of Hyatt Legal Services. (App. 13a) In its brief to the Court of Appeals, respondent acknowledged that Mr. Hyatt's "changing his name . . . is not an issue."

nothing from the hotel chain. In August, 1981, Hyatt Hotels first voiced an objection to Hyatt Legal Services' operation under Mr. Hyatt's name. (App. 14a) Respondent demanded that the name be changed, and its demand was rejected.

On October 8, 1982—more than five years after Hyatt Legal Services commenced its practice and more than a year after Hyatt Hotels' initial objection—Hyatt Hotels filed a complaint in the United States District Court for the Northern District of Illinois. It claimed that petitioners' use of the Hyatt name violated the Lanham Act, 15 U.S.C. §§ 1051-1127 (1982) and the Illinois Anti-Dilution Act, Ill. Rev. Stat. ch. 140, § 22 (Supp. 1984). (Various other claims were made but have not been pressed.)

Respondent based its Lanham Act claim on the charge that petitioners' use of Mr. Hyatt's name created confusion over the law firm's relationship to Hyatt Corporation, causing the public to believe that the law firm was affiliated with Hyatt Hotels. Respondent's claim under the Illinois Anti-Dilution Act was based upon petitioners' alleged dilution of the "distinctive quality" of the HYATT mark.

PROCEEDINGS BELOW

The District Court

Two weeks after filing its complaint, Hyatt Hotels moved for a preliminary injunction barring Hyatt Legal Services from operating under the Hyatt name. The District Court (Moran, J.) conducted an evidentiary hearing and on April 5, 1983, it issued a memorandum opinion and order denying the motion. (App. B)

The District Court found, first, that Hyatt Hotels failed to demonstrate a "likelihood of confusion" amongst consumers over the origin of petitioners' law firm and its relationship to Hyatt Hotels. (App. 16a) Observing that "the services provided [by the parties] are distinctly different," the District Court concluded: "It is difficult . . . to believe that . . . a [Hyatt

Legal Services] sign at a shopping center legal clinic could lead any person giving any real thought to the matter to the conclusion that that clinic was somehow related to Hyatt Corporation." (App. 15a-16a) Accordingly, the District Court rejected respondent's Lanham Act claim.

In denying injunctive relief, the District Court did not separately detail the inadequacies of respondent's claim under the Illinois Anti-Dilution Act. The court's discussion of the Lanham Act issues, however, included two key findings that bear on the state law claim. After a careful review of business directories and phone books, the trial court found that "[t]he name 'Hyatt' is reasonably common." (App. 14a) It ruled further that Hyatt Hotels' "HYATT service mark is not arbitrary or fanciful." (App.15a) These findings establish that the HYATT mark lacks the "distinctive quality" required for relief under the Illinois Anti-Dilution Act.

Finally, the District Court held that "the balance of hardships favors" Hyatt Legal Services. (App. 17a) Under the injunction sought by Hyatt Hotels, the law firm would bear not merely "the cost of changing signs and television commercials," but also "the less measurable cost of re-educating the public to a different name or of accepting disclaimers." (App. 17a) The proposed injunction would, however, entail far more. The good will lost in the wake of a name change could never be fully recaptured. And, since the name change would be court ordered, the public would perceive that petitioners had violated an Illinois statute—a very serious charge which would aggravate Hyatt Legal Services' loss of good will.

The Court of Appeals

A panel of the United States Court of Appeals for the Seventh Circuit unanimously affirmed the District Court's finding that Hyatt Hotels had failed to demonstrate a likelihood of success on its Lanham Act claim. By a vote of two to one. however, the panel reversed the judgment of the District Court, finding that respondent was likely to prevail on its claim that Hyatt Legal Services had violated the Illinois Anti-

Dilution Act. (Apps. A & C) The majority remanded for entry of a preliminary injunction "prohibiting [petitioners] from using the name Hyatt Legal Services." (App. 10a)

Notwithstanding the District Court's finding that the Hyatt name is "reasonably common" and "not . . . fanciful," the majority concluded that respondent was likely to succeed in proving that the HYATT mark used in the hotel business possessed a "distinctive quality" which was being diluted in violation of the Illinois statute. (App. 5a-7a) The majority opinion did not address Hyatt Legal Services' showing that at least 180 businesses in the United States use the Hyatt name, including several owned by Hyatt Corporation that are unrelated to its hotel operations. Nor did the majority address the fact that the Hyatt name had been registered as a trademark by others on three separate occasions: for billiard balls (Reg. No. 509,016), for bearings (Reg. No. 322,420), and for roller bearings (Reg. No. 128,981). The majority apparently concluded that distinctiveness and dilution were established by the mere fact that respondent had used the Hyatt name first and had advertised it extensively.

Circuit Judge Wood dissented from the court's "original analysis and disposition" of the Illinois Anti-Dilution Act claim. Judge Wood took the position that this claim should be remanded to the District Court "for its further consideration." (App. 11a)

In finding for Hyatt Hotels, the Court of Appeals said nothing about the geographic scope of the injunction. Hyatt Hotels, however, has taken the position that the Court of Appeals has directed a nationwide injunction, even though an alleged violation of state law is the sole wrong to be redressed. Petitioners contend that any injunction is to be limited to Illinois. (As noted below, significant constitutional questions are raised in either event.)

Hyatt Legal Services filed a petition for rehearing with the suggestion that rehearing be *en banc*. After directing Hyatt Hotels to file an answering brief, the Court of Appeals denied the rehearing petition. It later granted Hyatt Legal Services'

motion for a stay of the mandate pending the filing of this Petition.

The Anti-Dilution Laws in the United States

Under the Court of Appeals decision, the Illinois Anti-Dilution Act has become the focal point of this litigation. Since this Court has never adjudicated a case involving an anti-dilution law, a brief review of the Illinois statute and the anti-dilution laws of other states is appropriate.

Twenty-two states have enacted anti-dilution statutes similar in wording to the Illinois law.[2] By their express terms, these laws prohibit business practices that may cause the "dilution" of the "distinctive quality" of a trademark or trade name. *See* Model State Trademark Bill § 12 (U.S. Trademark Ass'n 1964). (App. E) They are "designed to prevent . . . the gradual whittling away of a firm's distinctive trade-mark or name." *Allied Maintenance Corp.* v. *Allied Mechanical Trades, Inc.*, 42 N.Y.2d 538, 544, 369 N.E.2d 1162, 1166, 399 N.Y.S.2d 628, 632 (1977).

Although similar in language, the anti-dilution laws have been subject to a wide variety of interpretations. Courts have developed different definitions of the key statutory terms, "distinctive" and "dilution." Most jurisdictions have also required a showing of competition or confusion, even though the language of the statute may appear to have done away with this requirement. *See Allied Maintenance Corp.* v. *Allied Mechanical Trades, Inc.*, *supra*, 42 N.Y.2d at 543-544, 369 N.E.2d at 1165-1166, 399 N.Y.S.2d 631-632; *Wedgwood Homes, Inc.* v. *Lund*, 294 Or. 493, 499, 659 P.2d 377, 382 (1983).[3]

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2 A complete list of these statutes as well as the text of the model statute on which they are based appears as Appendix E.

3 *See also* Griewe, *Anti-Dilution Statutes: A New Attack on Comparative Advertising*, 72 Trademark Rep. 178, 182-183 (1982); Pattishall, *The Dilution Rationale for Trademark*, 71 Nw. U.L. Rev. 618, 621-623 (1976); Winner, *Right of Identity: Right of Publicity and Protection for a Trademark's "Persona"*, 71 Trademark Rep. 193, 204-207 (1981).

The Illinois Anti-Dilution Act stands as "the exception rather than the rule" among the minority of jurisdictions with anti-dilution statutes. Winner, *Right of Identity: Right of Publicity and Protection for a Trademark's "Persona"*, 71 Trademark Rep. 193, 205 (1981). Of all the anti-dilution laws, the Illinois act, as interpreted by the Seventh Circuit in *Polaroid Corp.* v. *Polaraid, Inc.*, 319 F.2d 830 (7th Cir. 1963), has been the most broadly construed.[4] Based on the *Polaroid* precedent, Illinois law now affords perhaps the greatest protection of any state for trademarks and trade names used within its borders. The converse is equally true: Illinois stands as perhaps the greatest trademark roadblock for businesses that are expanding their markets.

What is prohibited by the Illinois Anti-Dilution Act is permitted by the laws of the 28 states which have no anti-dilution statute—and by the laws of most or all of the remaining 21 states. This absence of consistency among the fifty states has the potential for imposing substantial restrictions on entities which operate under the same name in more than one state. Under the decision below, that potential will become a reality for petitioners.

REASONS FOR GRANTING THE WRIT

While only a minority of states have anti-dilution statutes, that minority is significant. The decision below raises the questions of the extent to which such statutes may be applied to impede interstate commerce and prohibit conduct lawful under the Lanham Act—questions never addressed by this Court. The panel majority would apply an anti-dilution statute in a manner which would contravene constitutional restrictions on state power. In so doing, it would seriously impede the operations of a unique legal services organization which is satisfying an important public need that previously has been unmet.

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4 The Illinois Anti-Dilution Act has never been considered by the Illinois Supreme Court. It was not construed by any state appellate court prior to the Seventh Circuit *Polaroid* decision.

I

The injunction ordered by the Court of Appeals would impermissibly burden interstate commerce.

An injunction prohibiting Hyatt Legal Services from using its name in Illinois, based on a distinctive rule of that state, cannot be reconciled with the Commerce Clause. *Edgar* v. *Mite Corp.*, 457 U.S. 624, 643-646 (1982). Such an injunction would sharply disrupt Hyatt Legal Services' interstate trade and its operations outside Illinois without meaningfully advancing any interest of the State of Illinois.

The record establishes that an injunction would have an immediate and substantial detrimental effect on Hyatt Legal Services' operations. Hyatt Legal Services functions as a national law firm. It uses uniform television advertising throughout the country, featuring Mr. Hyatt and the name Hyatt Legal Services. Its signs and letterhead are similar in all states in which it operates. Its law practice concentrates on frequently needed legal matters, and its efforts and advertising are directed to the 70% of the population that has never consulted a lawyer. (App. 2a; Trial Tr. at 47-48) Because of its large volume of similar casetypes, the firm is able to make, and does make, maximum use of computerized equipment; this achieves substantial cost savings, which are passed on to the firm's clients. (Trial Tr. at 64)

Thus, in addition to causing substantial direct expense, an injunction requiring Hyatt Legal Services to change its name in Illinois would seriously disrupt the firm's nationwide interstate operations. The firm could not use a single television advertisement throughout the entire country. The advertisements which it runs in Illinois would be confusing to persons in other states (*e.g.*, Indiana) who view both Illinois and non-Illinois television stations. Clients and potential clients would be in doubt as to the relationship between a non-Illinois office utilizing the name Hyatt Legal Services and an Illinois office utilizing a

different name. The firm's image as a nationwide operation would be severely damaged.

These burdens serve no meaningful state interest. Illinois consumers are not threatened with confusion over the relationship between the law firm and the hotel chain. (App. 3a, 4a & 16a) Hyatt Hotels has not shown any injury arising out of any alleged dilution in Illinois. In addition, any "protection" which it receives in Illinois would not protect it in the other states where Hyatt Legal Services may lawfully use the Hyatt name and where Hyatt Hotels conducts most of its business.

Here, as in any Commerce Clause case involving state regulation of an interstate enterprise, the courts must consider the balance between the burden which the state law imposes upon interstate commerce and the legitimate interests served by the state regulation. *See Bibb* v. *Navajo Freight Lines, Inc.*, 359 U.S. 520 (1959). *Edgar* v. *Mite Corp.*, 457 U.S. 624 (1982), considers this balance in the context of another Illinois statute, and its holding and rationale are fully applicable here.

In *Edgar*, this Court held that, under the Commerce Clause, "when a state statute regulates interstate commerce indirectly, the burden imposed on that commerce must not be excessive in relation to the local interests served by the statute." 457 U.S. at 643. The Illinois Business Take-Over Act reviewed there had the effect of regulating a nationwide tender offer whenever the offer had certain contacts with Illinois. The Court found that the state law's indirect, nationwide regulation had "substantial" effects on interstate trade, including the hindrance of the allocation of economic resources. *Id.* Moreover, despite burdening trade outside Illinois, the state take-over statute did not afford any real, additional safeguards to Illinois residents. *Id.* at 645. The Court concluded therefore that the Illinois law imposed burdens on interstate commerce that were "excessive in relation to the local interests served by the statute." *Id.* at 643. Under the Commerce Clause, the Court held, the Illinois law was illegal.

The decision in *Edgar* amplified the holding of *Pike* v. *Bruce Church, Inc.*, 397 U.S. 137 (1970), a case which is equally instructive. In *Pike*, the Court struck down an Arizona statute that required Arizona-grown produce to be packed within that state. Arizona justified the law as a means of enhancing the reputation of Arizona's fruit growers. In effect, the law compelled Bruce Church, which packed Arizona cantaloupes in its California plant, to construct a new packing facility in Arizona at a cost of $200,000. *Id.* at 144. The Court weighed the state's interest, which it termed "minimal at best," against the "straight jacket" Arizona imposed "with respect to the allocation of [the California packer's] interstate resources." *Id.* at 146. Because Arizona's interest could not justify the substantial additional expense to be borne by the packer, the law was held to violate the Commerce Clause.

The injunction ordered by the Court of Appeals in our case suffers from the same constitutional infirmities as the state laws reviewed in *Edgar* and *Pike*. Here, as in those cases, the application of the Illinois Act would have the practical effect of impeding an interstate firm's activities outside the state and imposing upon the firm (and ultimately, its clients) substantial additional operating expense. Yet, no meaningful local interest is served by this costly and burdensome regulation. In fact, the "minimal" interest underlying the Arizona law in *Pike* (enhancing the reputation of local fruit growers) is greater than the interest served by the Illinois Anti-Dilution Act (supplementing the strength of a national trademark that is used locally).

As the number of states with anti-dilution laws increases and as rights under those laws are asserted, national and regional businesses will inevitably find themselves subject to a host of conflicting state regulations that may sharply restrict an enterprise's ability to expand its trade and promote its name. For example, under the Court of Appeals decision, a cement maker in Illinois named "Calvin Klein" might halt sales in that state by the world famous fashion designer with the same name; if the decision below stands, the cement maker would only have

to show a prior use of his trade name and advertising of that name.

The case of Hyatt Legal Services is no different. Before entering Illinois, the law firm had practiced for five years and had grown to include more than 100 offices throughout the country—all without any charge by Hyatt Hotels of unlawful "dilution". But, according to the Court of Appeals, it could not expand into Illinois without modifying its nationwide operations or abandoning its valuable name. This is precisely the type of impediment which the Commerce Clause protects against.

II

Extraterritorial application of the Illinois Anti-Dilution Act would violate the Due Process Clause, the Commerce Clause and fundamental principles of federalism.

In their petition for rehearing below, petitioners maintained that the Court of Appeals decision did not, and could not, require an injunction outside the State of Illinois. Petitioners requested that the majority opinion be clarified to expressly limit any injunction to Illinois. In opposition, respondent maintained that the Court of Appeals decision mandated entry of a nationwide injunction. In denying a rehearing, the Circuit Court did not address this issue.

If, as respondent contends, the District Court is required to enter a nationwide injunction, there is a violation not only of the Commerce Clause, but also of the Due Process Clause and fundamental principles of federalism. As far back as *Pennoyer* v. *Neff*, 95 U.S. 714, 722 (1877), this Court acknowledged the "elementary principle" that under the Due Process Clause "the laws of one State have no operation outside of its territory. . . ." Since *Pennoyer*, the Court has adhered to this principle without exception. *E.g.*, *Southern Pacific Co.* v. *Arizona*, 325 U.S. 761, 775 (1945) (striking down state law where the "practical effect" of the law "is to control [conduct] beyond the boundaries of the state. . . ."); *Baldwin* v. *G.A.F. Seelig,*

Inc., 294 U.S. 511, 521 (1935) ("New York has no power to project its legislation into Vermont. . . ."); *Aetna Life Insurance Co.* v. *Dunken*, 266 U.S. 389 (1924); *New York Life Insurance Co.* v. *Head*, 234 U.S. 149, 161 (1914) ("it would be impossible to permit the statutes of Missouri to operate beyond the jurisdiction of that State . . . without throwing down the constitutional barriers by which all the States are restricted within the orbits of their lawful authority. . . .").

The fact that only a minority of states have enacted trademark anti-dilution laws—and that the Court of Appeals' broad interpretation of the Illinois law is the "exception rather than the rule" within that minority[5]—underscores the impropriety of applying the Illinois statute to regulate trade in sister states.

There is no Supreme Court or Circuit Court decision holding that state anti-dilution laws are entitled to the sweeping extraterritorial application urged by respondent. The only relevant citation offered by respondent below, *Instrumentalist Co.* v. *Marine Corps League*, 509 F. Supp. 323, 340 (N.D. Ill. 1981), cannot rewrite the constitutional principles established in *Pennoyer* and its progeny. To the extent the district court in *Instrumentalist* ignored these principles, its decision is incorrect. If anything, the decision in *Instrumentalist* is a further ground for this Court to resolve the questions that arise when a multi-state enterprise's name is challenged under an anti-dilution law.

The majority opinion below, as construed by respondent, has far-ranging implications for all businesses that promote their trade in Illinois or in any of the other states with anti-dilution laws. The case of Hyatt Legal Services demonstrates the harsh results that would occur: In 1982, Hyatt Legal Services lawfully operated more than 100 offices throughout the country, but, according to Hyatt Hotels' reading of the majority opinion, upon opening its first Illinois office that year, the firm immediately forfeited its right to use the Hyatt name everywhere. Under our federal system, Illinois cannot so "nationalize" its unique law.

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5 Winner, *Right of Identity: Right of Publicity and Protection for a Trademark's "Persona"*, 71 Trademark Rep. 193, 205 (1981).

III

The Lanham Act preempts the application of the Illinois Anti-Dilution Act to Hyatt Legal Services.

The District Court found that respondent had not proven that the name Hyatt Legal Services caused any confusion with respondent's federally registered service mark. Accordingly, the District Court concluded that respondent was not likely to prevail on its claim under the Lanham Act, 15 U.S.C. §§ 1051-1127 (1982). (App. 14a-16a) The Court of Appeals affirmed this finding, but nevertheless held that, under the Illinois Anti-Dilution Act, respondent's mark was entitled to rights denied by the federal law. In so holding, the Court of Appeals ordered entry of an injunction which interferes with federal regulation of marks. The state regulation which the Circuit Court's order permits (indeed, requires) is precluded by the Supremacy Clause.

Under the Lanham Act, the federal government has awarded Hyatt Hotels the exclusive right to certain uses of the HYATT mark and the right to prevent others from any use of that mark which causes confusion. 15 U.S.C. §§ 1114-1119 & 1125 (1982). The statute gives Hyatt Hotels a limited and carefully defined monopoly. In granting Hyatt Hotels this exclusive right, Congress struck a balance: By delineating the field over which Hyatt Hotels shall have absolute control and by prohibiting confusing uses of its name, Congress left available all other non-confusing uses of the Hyatt name.

The Illinois Anti-Dilution Act, as construed and applied by the Court of Appeals, disrupts the balance established by Congress. Under the Court of Appeals opinion, the Illinois law becomes a vehicle for significantly expanding the monopoly rights of Hyatt Hotels—and for narrowing Hyatt Legal Services' rights to engage in activity lawful under the federal scheme.

The Senate Committee Report accompanying the Lanham Act articulates Congress' intent to abolish any such state interference. The Report explains:

> The theory once prevailed that protection of trade-marks was entirely a State matter and that the right to a mark was a common-law right. This theory was the basis of previous national trade-mark statutes. Many years ago the Supreme Court held and has recently repeated that there is no Federal common law. It is obvious that the States can change the common law with respect to trade-marks and many of them have, with the possible result that there may be as many different varieties of common law as there are States. A man's right in his trade-mark in one State may differ widely from the rights he enjoys in another.
>
> However, trade is no longer local, but is national. *Marks used in interstate commerce are properly the subject of Federal regulation.* It would seem as if national legislation along national lines securing to the owners of trade-marks in interstate commerce definite rights should be enacted and should be enacted now. S. Rep. No. 1333, 79 Cong. 2d Sess. 2-4, *reprinted in* 1946 U.S. Code Cong. Service 1274, 1276-1277 (emphasis added).

Congress' desire to have "[m]arks used in interstate commerce . . . [be] the subject of Federal regulation" is clearly expressed in the Lanham Act itself. Section 45 of the Act, 15 U.S.C. § 1127 (1982), provides in pertinent part:

> The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; *to protect registered marks used in such commerce from interference by State, or territorial legislation*; . . . . (emphasis added)

In light of this legislative intent, this Court's analysis of federal patent monopoly rights in *Sears, Roebuck & Co.* v.

Stiffel Co., 376 U.S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), provides the appropriate constitutional standard for judging state regulation expanding the federal rights of Hyatt Hotels. In *Sears* and *Compco*, the Court reviewed state unfair competition laws that had the effect of expanding the monopoly rights awarded patent holders by federal legislation. The Court recognized that in granting patent monopolies, Congress had struck a balance between encouraging invention and permitting free trade. 376 U.S. at 230-231. Any state law that expanded the rights of a patent holder, the Court concluded, inevitably interfered with the federal scheme and violated the Supremacy Clause. *Id.* at 231-232 & 237.

An interpretation of the Illinois Anti-Dilution Act that would give Hyatt Hotels rights to the name Hyatt which were denied it by federal law is similarly flawed. As in *Sears* and *Compco*, Illinois may not grant a monopoly greater than the monopoly provided by Congress, without encroaching on the federal trademark scheme and violating the Supremacy Clause.

While several lower courts have addressed the question of the preemptive effect of the Lanham Act on state laws concerning federally registered marks, the issue remains unsettled. Some courts have indicated preemption may occur. *Sargent & Co.* v. *Welco Feed Mfg. Co.*, 195 F.2d 929, 935-936 (8th Cir. 1952) ("Congress has entered and pre-empted the field of trademark law in its application to interstate commerce."); *Philco Corp.* v. *Phillips Mfg. Co.*, 133 F.2d 663, 672 (7th Cir. 1943) ("Registration of plaintiff's trademark [under federal law] rendered all questions concerning its use and protection in interstate commerce questions of federal law. . . ."); [6] *Mr. Donut of America, Inc.* v. *Mr. Donut, Inc.*, 418 F.2d 838, 844 (9th Cir. 1969) ("The Lanham Act has pre-empted the field of

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6 In *Philco*, the court reviewed claims under the Trademark Act of 1905, ch. 592, 33 Stat. 724 (1905), the predecessor statute to the Lanham Act. The 1905 law was, if anything, less comprehensive than the present statute.

trademark law and controls."), *overruled*, *Golden Door, Inc.* v. *Odisho*, 646 F.2d 347, 352 (9th Cir. 1980). Other courts have ruled that state trademark statutes may properly expand rights granted by federal law. *See Golden Door, Inc.* v. *Odisho*, 646 F.2d 347, 352 (9th Cir. 1980); *Keebler Co.* v. *Rovira Biscuit Corp.*, 624 F.2d 366, 372 n.3 (1st Cir. 1980); *Dallas Cowboys Cheerleaders, Inc.* v. *Pussycat Cinema, Ltd.*, 467 F. Supp. 366 (S.D.N.Y.), *aff'd*, 604 F.2d 200 (2d Cir. 1979).

This case presents the Court with an opportunity to resolve the confusion engendered by these inconsistent decisions, to correct error in the Court of Appeals decision, and to preserve the regulatory system embodied in the Lanham Act.[7]

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7 Petitioners have argued below that the Court of Appeals order would deprive them of rights under the First Amendment. While petitioners do not make this argument here, they reserve the right to do so in future proceedings below.

CONCLUSION

For the foregoing reasons, the Court should grant a writ of certiorari to review the decision below.

Dated: September, 1984

Respectfully submitted,

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APPENDIX A

Opinion of the Seventh Circuit

IN THE

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 83-1687

HYATT CORPORATION,

Plaintiff-Appellant,

v.

HYATT LEGAL SERVICES and JOEL HYATT,

Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.
NO. 82 C 6178—JAMES B. MORAN, *JUDGE.*

ARGUED FEBRUARY 24, 1984—DECIDED JUNE 11, 1984

Before WOOD and COFFEY, *Circuit Judges*, and HENLEY, *Senior Circuit Judge.**

* The Honorable J. Smith Henley, Senior Circuit Judge of the United States Court of Appeals, Eighth Circuit, is sitting by designation.

HENLEY, *Senior Circuit Judge*. This matter comes before the court on appeal of the district court's denial of a preliminary injunction. Appellant Hyatt Corporation, hereinafter Hyatt Hotels, filed suit against appellees Hyatt Legal Services and Joel Hyatt alleging violations of the Illinois Anti-Dilution Act and the Lanham Act, and asserting various other claims. Injunctive relief and damages were requested. After a hearing on Hyatt Hotels' motion for a preliminary injunction, the district court refused to grant the injunction based on its finding that Hyatt Hotels failed to show a likelihood of success on the issue of confusion. While we cannot disagree with the district court concerning its conclusions under the Lanham Act, we disagree with its implicit finding that Hyatt Hotels did not meet the requirements for a preliminary injunction under the Anti-Dilution Act. We therefore reverse and remand for entry of a preliminary injunction against Hyatt Legal Services.

Appellant Hyatt Hotels is a well known and well regarded hotel operator with some seventy hotels in the United States. It has operated hotels under the Hyatt name for some twenty-five years. Hyatt Hotels advertises nationally, primarily in newspapers and magazines. It spends approximately $50 million annually for advertising. Twelve million people spend the night at a Hyatt Hotel every year, and several more millions attend meetings and events at the hotels. The prices of its hotel rooms range from moderate to expensive.

Hyatt Legal Services, founded in 1977 in Cleveland, Ohio, is and always has been a legal entity completely separate and apart from Hyatt Hotels. It provides legal services in a growing number of states, sixteen at the time of the hearing. There are four partners, appellee Joel Hyatt, Susan Hyatt, Wayne Willis and William Brooks. Hyatt Legal Services advertises extensively, mainly on television, and directs its advertisements towards people with low and moderate incomes. It takes only certain kinds of cases, primarily simple cases which can be rapidly handled at high volume. Its goal is to provide basic legal services at reasonable prices to people who might otherwise not see a lawyer. Hyatt Legal Services spent approximately $3 million in advertising in 1982.

I. LANHAM ACT.

Hyatt Hotels registered the service mark "Hyatt" under the Lanham Act, 15 U.S.C. § 1051 *et seq*, in 1971. *See* 15 U.S.C. § 1053. It complains that Hyatt Legal Services is guilty of infringement of that mark, *see* 15 U.S.C. § 1114, and of unfair competition, 15 U.S.C. § 1125. At this stage, the validity of the registration is not disputed.

In order to show infringement, the owner of a mark must show that the alleged infringer is using the same or similar mark in a way which "is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1). The district court noted that the services provided by Hyatt Hotels and Hyatt Legal Services are "distinctly different." The court then evaluated Hyatt Hotels' evidence of confusion as follows:

> Among the thousands of telephone calls to [Hyatt Hotels] daily, there have been occasional instances in which persons seeking to call Hyatt Legal Services have called the Hyatt Corporation legal department . . . or have called a hotel or another of [Hyatt Hotels'] offices to inquire whether there was any relationship . . . . These occasional calls do not add up, in this court's judgment, to a likelihood of confusion.

Hyatt Corp. v. Hyatt Legal Services, No. 82 C 6178(N.D. Ill. 1983). The court emphasized that Hyatt Legal Services' advertisements do not in any way imply a connection with Hyatt Hotels and concluded that Hyatt Legal Services' present use of the mark "does not support the conclusion that [Hyatt Hotels] has a reasonable likelihood of prevailing on the merits." *Id.*

Two rules call for restraint in our review here. First, the question of likelihood of confusion is one of fact and is therefore subject to the clearly erroneous rule. *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 857 (7th Cir. 1982). Second, the district court merely denied a preliminary injunction; it did not decide the case on the merits. A denial of a preliminary injunction will be reversed only for

an abuse of discretion. *See id.* at 858; *Ideal Industries, Inc. v. Gardner Bender, Inc.* 612 F.2d 1018, 1022 (7th Cir. 1979), *cert. denied*, 447 U.S. 924 (1980).

The district court's opinion shows that it gave consideration to all the evidence. *Cf. Union-Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 387 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976). The evidence of confusion put forth by Hyatt Hotels was not overwhelming. While our reading of the depositions, exhibits and hearing transcript would lead us to conclude that there was more evidence of confusion than occasional misdirected phone calls, and while perhaps the evidence would have supported the opposite result, the district court's conclusion that Hyatt Hotels did not show a likelihood of success on the issue of confusion is not clearly erroneous. We find no abuse of discretion in the court's refusal to grant the motion on Lanham Act grounds.[1]

Hyatt Hotels also argues that Hyatt Legal Services uses the same typeface as Hyatt Hotels, which enhances the confusion caused by use of the same mark. In the abstract, there is some merit to this position. However, on the record before us we are unable to conclude that Hyatt Hotels consistently uses the typeface used by Hyatt Legal Services; rather it appears to be one of several used by Hyatt Hotels and not an inherent part of the mark. The district court characterized the typeface as of "no compelling distinctive style." Nor does the record indicate specific instances of confusion caused, at least in part, by similarity of typeface. We are not deciding this issue against Hyatt Hotels. Rather, we merely find that on the record as developed so far Hyatt Hotels has not established a likelihood of success on the issue of whether the similarity of typeface causes increased confusion.

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1 Of course, Hyatt Hotels may present further evidence of confusion when the case is tried on the merits.

II. ANTI-DILUTION ACT.

The Illinois Anti-Dilution Act provides in pertinent part that

> [e]very person . . . adopting and using a mark [or] trade name, . . . may proceed by suit, and the circuit court shall grant injunctions, to enjoin subsequent use by another of the same or any similar mark [or] trade name . . . if there exists a likelihood of injury to business reputation or of dilution of the distinctive quality of the mark [or] trade name . . . of the prior user notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services.

Ill. Rev. Stat. ch. 140 § 22 (1981). Thus, an injunction must be granted if the prior user can show that the mark is distinctive and that the subsequent user's use dilutes that distinctiveness;[2] neither competition between the users nor confusion need be shown. *Polaroid Corp. v. Polaraid, Inc.*, 319 F.2d 830, 836 (7th Cir. 1963); *Edgewater Beach Apartments Corp. v. Edgewater Beach Management Co.*, 299 N.E.2d 548, 554 (Ill. App. 1973).

A. Likelihood of success.

While some of the evidence the district court considered in evaluating Hyatt Hotels' Lanham Act claim is relevant to the dilution question, the district court did not address separately Hyatt Hotels' dilution claim. The court's focus was clearly on the lack of confusion, which is not essential to a dilution claim. In a claim under the Anti-Dilution Act, the relevant factors are, as stated, distinctiveness of the mark and whether the

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2 An injunction must also be granted if the prior user shows a likelihood of injury to reputation. The district court found that Hyatt Legal Services had conducted itself "in a circumspect manner," and there is no evidence to the contrary. We are unwilling to conclude that the mere possibility of a few malpractice claims against Hyatt Legal Services will result in harm to Hyatt Hotels' reputation.

mark is being diluted.[3] We consider the evidence before this court to be more than sufficient to mandate a finding that Hyatt Hotels is likely to succeed on the merits.

1. Distinctiveness of the mark.

Hyatt Legal Services points out that "Hyatt" is a personal name and argues that therefore it cannot be distinctive. Hyatt Legal Services also contends that because a number of other businesses in the United States use "Hyatt" in their names, the "Hyatt" mark is not distinctive.

The district court found the name "Hyatt" to be "reasonably common." Even if this is so,[4] it does not preclude a finding that the mark "Hyatt" is distinctive. The fact that a mark is "coined" or invented may make distinctiveness easier to show. *Polaroid*, 319 F.2d at 837. Other factors are also important, however, including the length of time the mark has been used, the scope of advertising and promotions, the nature and extent of the business, and the scope of the first user's reputation. *See id.* at 832; *Instrumentalist Co. v. Marine Corps League*, 509 F. Supp. 323, 332 (N.D. Ill. 1981).

In this case, Hyatt Hotels has been using its mark for some twenty-five years. It has been registered for thirteen years. Over the past several years, Hyatt Hotels has conducted an extensive advertising campaign designed to expand recognition of its trade name. That advertising in no way implies that "Hyatt" is a particular person's name; rather "Hyatt" is used as a trade name to indicate the source of the service. The hotel business is one in which travelers consider the name of a hotel to indicate its quality, cost, services, etc. Hyatt Hotels' reputation in its field is, as the district court found, excellent. Except for the appellee, the record shows no other national or regional business which uses the name "Hyatt" to identify its services.

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3 Prior use must also be established. That is undisputed here.

4 The evidence relied upon by the district court on this point was far from compelling. However, we see no reason to address its correctness in view of the remainder of our discussion.

In these circumstances, we have no difficulty in concluding that Hyatt Hotels' trade name "Hyatt" is distinctive.

2. Dilution.

The second issue is whether Hyatt Legal Services' use of the mark "Hyatt" dilutes the mark. Important factors in this determination are the similarity between the marks used by the parties, and the extent of the marketing effort by the second user. *Polaroid*, 319 F.2d at 832; *Instrumentalist*, 509 F. Supp. at 323.

Hyatt Legal Services uses the same mark as Hyatt Hotels. It is not modified in any way to show that it is a personal name rather that a trademark, as would be the case if "Joel Hyatt Legal Services" or "Hyatt, Hyatt, Willis & Brooks" were used to identify the firm. As indicated, Hyatt Legal Services has extensively advertised in the past few years, spending millions of dollars. While it does not yet operate in every state or every major city, such a national operation is part of its expansion plans, and it presently has offices in nearly a third of the states. Hyatt Legal Services' use of the mark is far more extensive than was the use of *Polaroid*, where the defendant operated in only three states and spent only $1,000.00 on advertising annually. *Polaroid*, 319 F.2d at 832. We think it clear that Hyatt Hotels has shown a likelihood of success on the question whether Hyatt Legal Services' use dilutes the mark.

B. Irreparable injury.

Hyatt Hotels argues that Hyatt Legal Services' use of its mark "threaten[s] to unravel the result of more than twenty-five years of effort by [Hyatt Hotels] to establish the Hyatt mark." We note that it is the very nature of dilution to gnaw away insidiously at the value of a mark. *See Polaroid*, 319 F.2d at 836. Such an injury would be remarkably difficult to convert into damages. "[T]here is no effective way to measure the loss of sales or potential growth—to ascertain the people who don't knock on the door or to identify the specific persons who do

not [return] because of the existence of the infringer." *Instrumentalist*, 509 F. Supp. at 323. We conclude that the difficulty Hyatt Hotels would encounter in proving damages incurred because of Hyatt Legal Services' dilution of its mark and the nature of the injury direct a finding of irreparable injury.

C. Public interest.

Granting the injunction will not disserve the public interest. *Wesley-Jessen Division v. Bausch & Lomb Inc.*, 698 F.2d 862, 864 (7th Cir. 1983). The public has an interest in the protection of trademarks and trade names. Further, the public interest in affordable legal services and accurate advertising of legal services will not be adversely affected by the injunction.

D. Balance of hardships.

Hyatt Legal Services argues that a preliminary injunction will be costly and will result in the loss of the extensive name recognition it has attained over the past few years.

We recognize that a name change will cost Hyatt Legal Services money. Signs, stationery, and advertising will have to be changed. However, Mr. Hyatt conceded during the preliminary injunction hearing that television ads get "stale" and have to be changed frequently. Offices run out of stationery, which then has to be reordered. A name change need not add substantially to these costs. Further, we consider Hyatt Hotels' proof that Hyatt Legal Services is violating the Anti-Dilution Act to go substantially farther than showing a likelihood of success, and we may certainly take into account the strength of Hyatt Hotels' case in balancing the equities. *Omega Satellite Products Co. v. City of Indianapolis*, 694 F.2d 119, 123 (7th Cir. 1982). Finally, it appears that Hyatt Hotels' rights to an undiluted trade name are being diminished every time a Hyatt Legal Services advertisement appears before the public. *See Instrumentalist*, 509 F. Supp. at 334. It would be difficult to cure this injury with money damages. We conclude that the harm caused Hyatt Hotels by denying the injunction would be more serious than the harm caused Hyatt Legal Services by granting the injunction.

III. REMEDY.

Hyatt Hotels does not request that Hyatt Legal Services be enjoined from using the name "Hyatt" at all. Rather, Hyatt Hotels requests that Hyatt Legal Services be directed to use Joel Hyatt's full name, a disclaimer of connection with Hyatt Hotels, and a different typeface for the word "Hyatt." We agree that limited injunctive relief is proper in this case, but we think Hyatt Hotels' approach may not be the best in the circumstances.

The dilution of Hyatt Hotels' mark flows primarily from Hyatt Legal Services' use of the name "Hyatt" without modification or any indication that it is a personal name, not a trade name. Hyatt Hotels' mark is also diluted because of the nationwide scope of Hyatt Legal Services' business. Hyatt Hotels has not requested that we enjoin Mr. Hyatt from further expanding his business, and we would not consider such an injunction appropriate in this case. Thus, protection of the "Hyatt" mark must come by way of modification of Hyatt Legal Services' name. A name such as "Joel Hyatt Legal Services" or some combination of the last names of the partners—the traditional means of identifying a law firm—would meet this concern. There may be other appropriate names which would not violate the Anti-Dilution statute. Rather than selecting the name ourselves, we believe the better practive would be to allow Hyatt Legal Services to select its new name.[5] If Hyatt Hotels believes the new name violates the

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5 This will also allow Hyatt Legal Services to make sure its name will not violate ethics codes in states in which it operates. We are not sympathetic to Mr. Hyatt's claim that requiring a name change may force him to act unethically. Not to require a change would allow a violation of the Anti-Dilution Act to go unchecked. Mr. Hyatt and his partners must operate their law practice in compliance with both the Anti-Dilution Act and state ethics requirements. We believe that by allowing Mr. Hyatt and his partners to select their new name, the court can avoid the ethical questions which are not a proper matter for the district court to consider in the context of this case. We assume the name chosen will have no obvious ethical problems (*i.e.*, The Best Law Firm in Town); the ethical improprieties pointed out by Mr. Hyatt

Anti-Dilution Act or the Lanham Act, leave to amend its complaint should be freely granted.

As discussed *supra* in a slightly different context, we do not believe Hyatt Hotels has proved that its use of a special typeface is distinctive, and therefore decline at this point to enjoin Hyatt Legal Services from using that typeface. Of course, more evidence from both parties can be received when the case is tried.

We are not sure that a disclaimer of association with Hyatt Hotels is necessary. We think it likely that the name change will be sufficient to protect Hyatt Hotels since it will make clear that the name "Hyatt" as used by Hyatt Legal Services is a personal name, not a trade name. However, we leave this to the district court to evaluate in light of the name chosen by Hyatt Legal Services; it may also be considered if more evidence is presented after a hearing on the merits.

CONCLUSION

The case is reversed and remanded to the district court for entry of an injunction prohibiting the appellee from using the name Hyatt Legal Services. The appellee is to select promptly a new name, and should notify the district court of the change. Trial on the merits may then proceed.[6]

The judgment of the district court is reversed and remanded for entry of a preliminary injunction and for further proceedings consistent with this opinion.

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are much less clear, and might differ from state to state. In this case the district court cannot be required to investigate on its own, nor can Hyatt Hotels be charged with an investigation, of the propriety of the new name. That is the responsibility of Mr. Hyatt and his law partners.

6 We note that Hyatt Hotels raised other claims against Hyatt Legal Services in its complaint, including common law unfair competition. These claims may, of course, be taken up at the trial on the merits.

WOOD, *Circuit Judge*, concurring in part and dissenting in part.

Although I fully concur with the majority disposition of the Lanham Act claim, I have some reservation about undertaking our own original analysis and disposition of the Illinois Anti-Dilution Act claim, which was not addressed specifically by the district court.

As sound as this court's analysis of the Anti-Dilution Act claim may be, I would prefer to remand that issue to the district court for its further consideration and the fashioning of its own appropriate remedy, if necessary. To that extent only, I respectfully dissent.

A true Copy:
Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

APPENDIX B

Memorandum and Order of the United States District Court for the Northern District of Illinois

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

No. 82 C 6178

HYATT CORPORATION,

Plaintiff,

vs.

HYATT LEGAL SERVICES, a partnership, and JOEL HYATT,

Defendants.

MEMORANDUM AND ORDER

In this action a familiar hotel operator seeks to restrain an increasingly familiar legal services enterprise from using a name—Hyatt. Plaintiff registered the service mark HYATT in 1972, and it now contends that defendant is violating the Lanham Act by infringement of that service mark and by unfair competition. It also alleges that defendants' use of the designation is common law unfair competition, violates the Illinois Anti-Dilution Act (Ill. Rev. Stat., ch. 140, § 22), violates the Illinois Deceptive Trade Practices Act (Ill. Rev. Stat., ch. 121-1/2, § 311 *et seq.*), and violates the Illinois Consumer Fraud and Deceptive Business Practices Act (Ill. Rev. Stat., ch. 121-1/2, § 261, *et seq.*). Defendant denies those allegations and also attacks the validity of the registration.

More immediately, plaintiff seeks preliminary relief enjoining defendants from using the name "Hyatt" unless the individual defendant's full name is used, there is a disclaimer and the name is not highlighted and is not displayed by the present typeface. The motion is denied.

Plaintiff registered the service mark HYATT in 1971, under the classification for hotel, motel and reservation services. The service mark is uncontestable. Plaintiff operates about 70 hotels throughout the United States, including several in the Chicago area. It is a well-known and well-regarded hotel operator. It uses the name "Hyatt" extensively in its advertising although, the court notes, the use is generally in conjunction with a logo which consists of a symbol within a symbol surrounded by a circle. The typeface generally used appears to be block letters of no compelling distinctive style.

Joel Hyatt was born Joel Hyatt Zylberberg—his first and middle names being those of family members who died in the Holocaust. Born and raised in Cleveland, he graduated from Dartmouth and Yale, receiving his law degree from the latter school in January 1976. During that year he was engaged in a political campaign for his now father-in-law. From there he went to a prominent New York law firm. Because of the practical difficulties occasioned by his last name, defendant used "Hyatt" as his name during the campaign and, in July 1976, legally changed his name to Joel Z. Hyatt.

A year after the individual defendant had petitioned for a change of name, the Supreme Court in *Bates v. State Bar of Arizona*, 433 U.S. 350 (1977), held unconstitutional various prohibitions on advertising by lawyers. While plaintiff urges that Joel Hyatt, through some sort of clairvoyance, changed his name in anticipation of that decision for the purpose of trading on its name, this court rejects that conclusion. I believe that Joel Hyatt conceived the notion of opening legal clinics following the *Bates* decision, and that the name change was unrelated to that conception and was, rather, related to the realities of politics and big-firm New York practice.

Hyatt Legal Services began with a single office in Cleveland, a partnership of Joel Hyatt and Wayne G. Willis. At that time

Willis was not licensed to practice law. It is unclear whether that was the reason for using Hyatt's name as designating the partnership or whether it was a natural outgrowth of what appears to have been Hyatt's more visible posture in the partnership. In any event, at that time Ohio required that those practicing law designate themselves by at least one surname. Hyatt Hotels did not then have any hotels in Ohio.

Since 1977 Hyatt Legal Services has grown into a multi-state network of law offices, presently having over 200 attorneys in over 100 neighborhood law offices located in numerous cities in sixteen states. Approximately 80 per cent of its advertising is through the medium of television. The remainder of its advertising budget is divided among Yellow Pages listings, advertisements in local newspapers at the time a new office opens, and promotional material—including a sign—at each neighborhood office. Hyatt Legal Services has about eleven offices presently in the Chicago metropolitan area.

The name "Hyatt" is reasonably common. It appears in numerous listings in telephone directories and in commercial directories listing businesses. Plaintiff did not communicate with defendants concerning the use of the name Hyatt Legal Services until the summer of 1981. While the evidence on this aspect was not developed, it appears that plaintiff's concerns were directly related to the growth of Hyatt Legal Services as a force in the national marketplace.

For the purposes of this motion, the court assumes that Hyatt Corporation has an incontestable service mark which gives it the exclusive right to use it with the services specified in its registration, without being subject to any laches defense. *See United States Jaycees v. Chicago Junior Association of Commerce and Industry*, 505 F.Supp. 998 (N.D. Ill. 1981). Here, however, the services provided by Hyatt Legal Services are far different from those encompassed in plaintiff's registration, and the thrust of its motion is that it has an established service mark and that the use of the word "Hyatt" in connection with legal services creates a likelihood of confusion in the perception of the public respecting the origin of these services and the possible affiliation of those services to Hyatt Corpora-

tion. It also urges that defendants' conduct dilutes its service mark.

The HYATT service mark is not arbitrary or fanciful. Indeed, it is a personal name, and the courts have traditionally been somewhat reluctant in restricting the use by another of his name in connection with his trade or business. *See* Gilson, *Trademark Protection & Practice,* § 2.08. It is beyond dispute, however, that a person does not have an absolute right to use his name for business purposes under federal trademark law, *John R. Thompson Co. v. Holloway,* 366 F.2d 108 (5th Cir. 1966) or under the Illinois Anti-Dilution Act, *Burghoff Restaurant Co., Inc. vs. Louis W. Burghoff, Inc.,* 499 F.2d 1183 (7th Cir. 1974). That use is permissible only if it is not likely to cause confusion, *John R. Thompson Co. v. Holloway, supra,* or there is not a likelihood of injury to business reputation or dilution of the distinctive quality of another's mark, *Polaroid Corporation v. Polaraid, Inc.,* 319 F.2d 830 (7th Cir. 1963). The paramount interest is the protection of the public from confusion, which protects the mark's owner's right to a non-confused public. *James Burrough Ltd., v. Sign of Beafeater, Inc.,* 540 F.2d 266 (7th Cir. 1976).

Here the services provided are distinctly different—not another restaurant or a restaurant and a related consumable, where a highway sign may lead to an association in the mind of a casual and weary traveler. Indeed, it is difficult to perceive of services which are less related. Hyatt Corporation has not shared with the court any plans to enter the field of providing legal services. While there are some Hyatt hotels in the moderate price range, the thrust of plaintiff's advertising is toward a market which can afford excellent accommodations. Hyatt Legal Services caters to persons of moderate incomes who have routine legal problems of a nature that a law office would find repetitive.

What evidence is there then of likely consumer confusion? That evidence consists almost entirely of "a few isolated instances of misdirected phone calls . . . ." *Walt-West Enterprises, Inc. v. Gannett Company, Inc.,* ____ F.2d ____ (7th Cir. 1982). Among the thousands of telephone calls to plaintiff

daily, there have been occasional instances in which persons seeking to call Hyatt Legal Services have called the Hyatt Corporation legal department to inquire whether it was Hyatt Legal Services or have called a hotel or another of plaintiff's offices to inquire whether there was any relationship. There is no indication that any of these few callers was an actual customer of plaintiff or that it was more than a short-lived confusion by individuals casually acquainted with the business. *See Armco, Inc. v. Armco Burglar Alarm Co., Inc.*, 693 F.2d 1155 (5th Cir. 1982).

Those occasional calls do not add up, in this court's judgment, to a likelihood of confusion, as that term is understood in the law. This court has viewed a television commercial, and it has nothing to do with hotels, does not emphasize the Hyatt name by itself, and it does not seek in any manner to trade on plaintiff's good will. Even if we should compare the printed material side-by-side, to whatever extent that may have a bearing on the issue of public perception, the only material that could possibly raise any question are the store signs, which contain the word "Hyatt" in block capitals of a size larger than the designation "Legal Services". It is difficult, however, to believe that such a sign at a shopping center legal clinic could lead any person giving any real thought to the matter to the conclusion that that clinic was somehow related to Hyatt Corporation.

Obviously, the use of the name "Hyatt Legal Services" for a national organization carries the potentiality for possible confusion unless the defendants conduct themselves in a circumspect manner. Defendants' present use, however, does not support the conclusion that plaintiff has a reasonable likelihood of prevailing upon the merits. Plaintiff's evidence indicates that some people will wonder whether a different enterprise using the same surname is somehow associated with a vigorous national organization of that name, even though the services of the enterprises are entirely different. That notion is, perhaps, fostered by diversification strategies of recent years, but it is not enough to translate into total protection of the

name of a national company, regardless of the field of endeavor in which the name might otherwise be used.

Further, defendants' enterprise has, at great expense, been advertised as Hyatt Legal Clinics or Hyatt Legal Services since 1977. The cost of changing signs and television commercials, and the less measurable cost of re-educating the public to a different name or of accepting disclaimers, all militate against the conclusion that the balance of hardships favors the plaintiff. Indeed, this court concludes quite the contrary. For the reasons stated, the motion for preliminary injunction is denied.

/s/ James B. Moran

JAMES B. MORAN
Judge, United States District Court

April 5, 1983.

APPENDIX C

Judgment of the Seventh Circuit

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

June 11, 1984

Before

Hon. HARLINGTON WOOD, JR., *Circuit Judge*
Hon. JOHN L. COFFEY, *Circuit Judge*
Hon. J. SMITH HENLEY, *Senior Circuit Judge**

HYATT CORPORATION,
Plaintiff-Appellant,

No. 83-1687 —vs.—

HYATT LEGAL SERVICES, a partnership and JOEL HYATT,
Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division

No. 82 C 6178

Judge James B. Moran

* The Honorable J. Smith Henley, Senior Circuit Judge of the United States Court of Appeals, Eighth Circuit, is sitting by designation.

Opinion by Judge Henley

Judge Wood concurring in part and dissenting in part

JUDGMENT—ORAL ARGUMENT

This cause was heard on the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, IT IS ORDERED AND ADJUDGED by this Court that the judgment of the said District Court in this cause appealed from be, and the same is hereby REVERSED, with costs, and the case is REMANDED, in accordance with the opinion of this Court filed this date.

APPENDIX D

Order

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

July 24, 1984

Before

Hon. HARLINGTON WOOD, JR., *Circuit Judge*
Hon. JOHN L. COFFEY, *Circuit Judge*
Hon. J. SMITH HENLEY, *Senior Circuit Judge**

HYATT CORPORATION,

Plaintiff-Appellant,

No. 83-1687 —vs.—

HYATT LEGAL SERVICES and JOEL HYATT,

Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division

No. 82 C 6178

James B. Moran, *Judge*

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* The Honorable J. Smith Henley, Senior Circuit Judge of the United States Court of Appeals, Eighth Circuit, is sitting by designation.

ORDER

On consideration of the petition for rehearing and suggestion for rehearing *en banc* filed in the above-entitled cause by counsel for Defendants-Appellees, no judge in active service has requested a vote thereon, and a majority of the judges on the original panel have voted to deny a rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

APPENDIX E

Model State Trademark Bill

The Model State Trademark Bill (U.S. Trademark Ass'n 1964),* as amended, provides in section 12:

> Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

States with Anti-Dilution Statutes

Alabama	Ala. Code § 8-12-17 (Supp. 1983)
Arkansas	Ark. Stat. Ann. § 70-550 (1979)
California	Cal. Bus. & Prof. Code § 14330 (West Supp. 1984)
Connecticut	Conn. Gen. Stat § 35-11i(c) (1981)
Delaware	Del. Code Ann. tit. 6, § 3313 (Supp. 1982)
Florida	Fla. Stat. Ann. § 495.151 (1972)
Georgia	Ga. Code § 106-115 (1984)
Idaho	Idaho Code § 48-512 (1977)
Illinois	Ill. Rev. Stat. ch. 140, § 22 (Supp. 1984)
Iowa	Iowa Code § 548.11(2) (Supp. 1984)
Maine	Me. Rev. Stat. Ann. tit. 10, § 1530 (1980)

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* The Model State Trademark Bill was prepared by the United States Trademark Association in 1949. Its anti-dilution provision, section 12, was added in 1964. *See* Model State Trademark Bill, Statement (U.S. Trademark Ass'n 1964).

Massachusetts	Mass. Gen. Laws Ann. ch. 110B, § 12 (West Supp. 1980)
Missouri	Mo. Ann. Stat. § 417.061(1) (Vernon 1979)
Montana	Mont. Code Ann. § 30-13-334 (1983)
Nebraska	Neb. Rev. Stat. § 87-122 (1978)
New Hampshire	N.H. Rev. Stat. Ann. § 350-A:12 (Supp. 1981)
New Mexico	N.M. Stat. Ann. § 57-3-10 (1978)
New York	N.Y. Gen. Bus. Law § 368-d (McKinney 1984)
Oregon	Ore. Rev. Stat. § 647.107 (1971)
Pennsylvania	54 Pa. Cons. Stat. Ann. § 1124 (Supp. 1984)
Rhode Island	R.I. Gen. Laws § 6-2-12 (Supp. 1983)
Tennessee	Tenn. Code Ann. § 47-25-433 (Supp. 1983)

Office-Supreme Court, U.S.
FILED
OCT 30 1984
ALEXANDER L. STEVAS,
CLERK

No. 84-446

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

HYATT LEGAL SERVICES and JOEL HYATT,

Petitioners,

v.

HYATT CORPORATION,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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Statement Pursuant to Supreme Court Rule 28(1)

Respondent Hyatt Corporation is a privately-held corporation. The parent corporation of respondent is HG, Inc., which is itself a wholly-owned subsidiary of HG Group, Inc. Excluding respondent's wholly-owned subsidiaries, the following companies are affiliates or subsidiaries of respondent: Braniff, Inc., ; Dalfort Corporation; Hyatt Air, Inc.; and Ticketmaster Corporation.

QUESTIONS PRESENTED

Until the filing of their unsuccessful petition for rehearing, petitioners had not raised any of the issues they urge here as grounds for granting certiorari. The appeal in the Seventh Circuit below was from the district court's interlocutory order denying respondent Hyatt Corporation's motion for a preliminary injunction. In reversing the district court under the Illinois Anti-Dilution Act, Ill.Rev.Stat. ch. 140, § 22, the Seventh Circuit did *not* enjoin petitioners' use of the name "Hyatt." Rather, it merely ordered that petitioners modify their business name in such a manner that "it will make clear that the name 'Hyatt' as used by Hyatt Legal Services is a personal name, not a trade name." (Pet. App. 9a-10a.)

The Seventh Circuit has remanded the case for further proceedings in the district court, including a trial on the merits. No preliminary injunction has yet been entered by the district court because the mandate has been stayed pending resolution of the petition for writ of certiorari.

The following questions are presented at this interlocutory stage of the case:

1. Should this Court grant certiorari to review issues which petitioners waived in the district court and in the court of appeals?

2. Should this Court grant certiorari to review an interlocutory order in a case that has been remanded to the district court for further proceedings?

3. Is the Commerce Clause contravened by a preliminary injunction requiring petitioners to modify their business name in Illinois?

4. Is an Illinois court with personal jurisdiction over petitioners constitutionally prohibited from protecting the property rights of an Illinois resident if such relief would have an effect on petitioners outside of Illinois?

5. In the absence of a conflict among the Circuits, should this Court grant certiorari to determine whether the Lanham Act preempts Section 12 of the Model State Trademark Act, which has been adopted to date by twenty-two states?

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In The

Supreme Court of the United States

October Term, 1984

HYATT LEGAL SERVICES and JOEL HYATT,

Petitioners,

v.

HYATT CORPORATION,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit

RESPONDENT'S BRIEF IN OPPOSITION

Respondent Hyatt Corporation ("Hyatt"), by its attorneys, respectfully requests that this Court deny the petition for writ of certiorari (the "Petition") seeking review of the Seventh Circuit's decision in this case. That decision is reported at 736 F.2d 1153.

SUPPLEMENTAL STATEMENT OF THE CASE

Petitioners' statement is misleading and incomplete. Hyatt briefly supplements that statement:

Petitioners Failed to Preserve the Questions They Present for Review Here.

All three questions petitioners present for review here (Pet. i) have been in this case since the day the lawsuit was filed, yet petitioners *first* raised them in their unsuccessful petition for rehearing filed in the Seventh Circuit.

Hyatt's Complaint sought nationwide relief under both the Anti-Dilution Act *and* the Lanham Act. (R-1.)[1] Petitioners' Answer raised no constitutional defense to the scope of relief and raised no preemption defense. (R-24.) In the district court, Hyatt requested nationwide relief in its motion for preliminary injunction and cited authority supporting the granting of such relief under the Illinois Anti-Dilution Act. (R-20 at 2.) At the district court hearing, counsel for Hyatt emphasized that the nationwide dilution of the HYATT service mark (the "HYATT mark") was "one of the major reasons we are in this court." (Tr. 115-16.) Nevertheless, petitioners raised no constitutional defense to the scope of relief in their papers or at argument in the district court; moreover, petitioners tacitly conceded that there was no preemption issue by arguing only that the *evidence* did not support Hyatt's dilution claim.

In its appellate briefs, Hyatt again requested nationwide relief under the Illinois Anti-Dilution Act and cited supporting authorities. (Reply Br. 12; Brief 16-20.) Once again,

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[1] The abbreviation "Pet." refers to the Petition for Writ of Certiorari. "Pet. App." refers to the Appendix to the Petition. "Tr." refers to the transcript of the proceedings in the district court. "R-" refers to pleadings and court filings in the record below. "Pl.Ex." and "Def.Ex." refer, respectively, to plaintiff-respondent's and defendants-petitioners' trial exhibits.

petitioners raised no constitutional defenses concerning such relief. At oral argument petitioners again were silent on the very issues they ask this Court to review, even though the scope of relief under the Anti-Dilution Act was the subject of questions by the Seventh Circuit. (Ans. to Pet. for Reh. 4.)

Not until their petition for rehearing *in banc* did petitioners urge their constitutional defenses. In its answer to the petition for rehearing, Hyatt responded that petitioners had long since waived those claims under the controlling Seventh Circuit authorities, *American Fletcher Mortg. Co. v. Bass*, 688 F.2d 513, 520 (7th Cir. 1982) and *Country Fairways, Inc. v. Mottaz*, 539 F.2d 637, 642 (7th Cir. 1976). (Ans. to Pet. for Reh. 7-8.) The Seventh Circuit denied the petition for rehearing. (Pet. App. 21a.)

Hyatt Corporation and the HYATT Mark.

Hyatt is "a well known and well regarded hotel operator with some seventy hotels in the United States," including six hotels in metropolitan Chicago, Hyatt's principal place of business. (Pet. App. 2a; Tr. 13.) Hyatt hotels provide overnight accommodations to approximately 12 million persons each year and also serve 8 million additional consumers who attend conferences or other events (*e.g.*, weddings) or dine in hotel restaurants. (Pet. App. 2a; Tr. 8.) Hyatt spends approximately $50 million annually in marketing and promoting its services under the HYATT mark, including $18 million in direct print and broadcast advertising throughout the world. (Pet. App. 2a; Tr. 9-10.)

Since 1954, Hyatt and its affiliates and predecessors have offered their services to the public under the HYATT mark, which was registered by the United States Patent Office in 1971 and has since become incontestable as a

matter of law pursuant to § 15(b) of the Lanham Act, 15 U.S.C. § 1065. (Pl.Ex. 1, Pl.Ex. 11; Pet. App. 13a.)

H & R Block and the Expansion of Hyatt Legal Services.

In June 1980, Hyatt Legal Services entered into an agreement with a subsidiary of H & R Block, the national income-tax preparation firm, to finance the expansion of Hyatt Legal Services. (Def.Ex. 1, Ex. A; Tr. 23, 93.) Hyatt Legal Services previously had offices only in northern Ohio. (Tr. 46.) Thereafter, petitioners began expanding on a nationwide basis. (Pl.Ex. 14.)

Hyatt Legal Services has grown into a multi-state network of law offices with over 100 offices in numerous cities in sixteen states, including approximately eleven offices opened in metropolitan Chicago during the Fall of 1982. (Pet. App. 13a-14a; Pl.Ex. 14.) Hyatt Legal Services plans to expand "into most of the fifty states" and become the H & R Block of law firms, with Hyatt Legal Services offices sharing office expenses with many of the 9,000 H & R Block offices across the country. (Def.Ex. 1, Exs. A-T.)

In 1982, Hyatt Legal Services spent approximately $3 million in advertising. (Pet. App. 2a.)

The Seventh Circuit Remanded for Entry of a Preliminary Injunction Which Does Not Prohibit Petitioners' Use of the Name "Hyatt."

The Seventh Circuit reversed the district court's interlocutory order, determining that Hyatt's "proof that Hyatt Legal Services is violating the [Illinois] Anti-Dilution Act [goes] substantially farther than showing a

likelihood of success, and we may certainly take into account the strength of Hyatt Hotels' case in balancing the equities." (Pet. App. 8a.) The Seventh Circuit recognized that if petitioners are permitted to continue their ambitious marketing and expansion efforts under the name Hyatt Legal Services, the distinctiveness of the HYATT mark will be diluted and eventually destroyed. "[I]t is the very nature of dilution to gnaw away insidiously at the value of a mark." (Pet. App. 7a.)

Although the Seventh Circuit remanded for entry of a preliminary injunction, it did *not* enjoin petitioners' use of the name "Hyatt." Instead, it merely ordered petitioners to modify their business name in such a manner that "it will make clear that the name 'Hyatt' as used by Hyatt Legal Services is a personal name, not a trade name." (Pet. App. 10a.)

The Seventh Circuit suggested two possible new names—"Joel Hyatt Legal Services" or "Hyatt, Hyatt, Willis and Brooks" (the surnames of the four law partners)—but allowed petitioners to propose their new name, thereby enabling them to select a name consistent with both the law and their own marketing needs. (Pet. App. 9a-10a.)

The Seventh Circuit questioned but did not disturb the district court's denial of relief under the Lanham Act. (Pet. App. 4a.) Emphasizing the preliminary nature of both the relief granted and the relief denied, the Seventh Circuit noted that Hyatt could present further evidence on the Lanham Act claim when the case is "tried on the merits." (*Id.*) In addition to Hyatt's claim under the Anti-Dilution Act and the Lanham Act, Hyatt has also asserted claims under the Illinois Deceptive Trade Practices Act (Ill.Rev.Stat. ch. 121½, § 313) and the Illinois Consumer

Fraud and Deceptive Business Practices Act (Ill.Rev.Stat. ch. 121½, § 262 *et seq.*). (R-1; Pet. App. 10a.) In remanding the case for further proceedings, the Seventh Circuit noted that these claims will also be included in the trial on the merits. (*Id.*)

Status of the Case.

The Seventh Circuit has stayed its mandate pending resolution of this Petition. The district court has not yet entered a preliminary injunction.

REASONS WHY THE WRIT SHOULD BE DENIED

1. Petitioners Have Waived the Questions They Present for Review Here.

Petitioners were aware from the outset of this case that Hyatt was seeking nationwide preliminary injunctive relief predicated on Illinois as well as federal law. Petitioners nevertheless failed to raise any constitutional defense at any stage of the proceedings until their petition for rehearing below, which was denied without an opinion. (*See supra*, at 2-3.)

The principle of waiver followed in the Seventh Circuit (*see supra*, at 3) is established law, long recognized by this Court. *Michel v. Louisiana*, 350 U.S. 91, 99 (1955); *Steagald v. United States*, 451 U.S. 204, 208-10 (1981).[2]

[2] The limited exception to this waiver rule is not applicable here. *See Curtis Publishing Co. v. Butts*, 388 U.S. 130 (1967) (no waiver

(Footnote continued on following page)

It applies *a fortiori* here—where this Court is being asked to review constitutional defenses never raised until the unsuccessful petition for rehearing and never addressed by either the Seventh Circuit or the district court. For this reason alone, the Petition should be denied.

2. Petitioners Are Seeking Review of an As-Yet-To-Be-Entered Interlocutory Order in a Case Remanded for Further Proceedings.

Although the Seventh Circuit's opinion manifestly contemplates entry of a nationwide preliminary injunction, petitioners contend that there is ambiguity as to the geographic scope of that injunctive relief. (Pet. 7.) Petitioners presented the same contention to the Seventh Circuit in their petition for rehearing, which was denied without an opinion. Petitioners' strained effort to conjure ambiguity where none exists is, in any event, irrelevant. The relief ordered by the Seventh Circuit is merely interlocutory. Accordingly, this Court should not grant certiorari to review an interlocutory order that remands the case to the district court for further proceedings, including a trial on the merits. *Brotherhood of Locomotive Firemen and Enginemen v. Bangor & Aroostock R.R. Co.*, 389 U.S. 327, 328 (1967) ("because the Court of Appeals remanded the case, it is not ripe for review by this Court"); *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916) (lack of finality is sufficient ground for denial of certiorari);

---

[2] *continued*
where [1] there was a substantial development in the law *after* trial, [2] defendant raised the issue "early enough so that this Court has had the benefit of some ventilation by the courts below," and [3] the constitutional right involved—freedom of speech—"safeguard[ed] a freedom which is the matrix, the indispensable condition, of nearly every other form of freedom").

American Construction Co. v. Jacksonville, T. & K.W.R. Co., 148 U.S. 372, 384 (1893) (except in "extraordinary" situations, Court should not issue certiorari to review appeal of interlocutory order).

3. The Commerce Clause Does Not Require Uniform Commercial Tort and Contract Laws in the Fifty States.

Petitioners contend that a preliminary injunction modifying their name even in Illinois alone would violate the Commerce Clause. Petitioners' contention, however, is based on a remarkable misreading of the Seventh Circuit's decision in this case and a fundamental misunderstanding of this Court's Commerce Clause decisions.

Petitioners baldly assert that under the Seventh Circuit's decision a hypothetical cement maker named "Calvin Klein" would merely have to show prior use of his trade name and advertising of that name in order to prevail under the Illinois Anti-Dilution Act. (Pet. 12-13.) The Seventh Circuit did not so hold. Rather, the Seventh Circuit determined that Hyatt was required to make a substantial showing, *inter alia*, that (a) the HYATT mark is distinctive and (b) the mark's distinctiveness is threatened by petitioners' acts. (Pet. App. 5a.)

In determining that Hyatt more than satisfied this burden, the Seventh Circuit considered Hyatt's $50 million in annual advertising and marketing efforts, the length of time the HYATT mark had been used, the nature and extent of Hyatt's business, and the scope and strength of Hyatt's reputation. (Pet. App. 6a-7a.) The Seventh Circuit also determined that Hyatt had made a compelling showing that petitioners' use of the HYATT mark dilutes that mark. In this regard, the Seventh Circuit correctly considered the similarity of the two marks and the breadth

of petitioners' marketing efforts. (Pet. App. 7a.) Thus the challenged decision manifestly is based on far more than just "prior use" and "advertising"; moreover, the decision correctly applies Illinois dilution law. *Polaroid Corp. v. Polaraid, Inc.*, 319 F.2d 830 (7th Cir. 1963).

In enacting the Anti-Dilution Act, the Illinois legislature affirmed the State's strong interest in protecting the distinctive marks of its citizens. In *Edgar v. MITE Corp.*, 457 U.S. 624 (1982), on which petitioners principally rely, this Court held that the Commerce Clause permits indirect state regulation of interstate commerce, so long as the burden on interstate commerce is not excessive in light of the local interests furthered by a challenged state statute. 457 U.S. at 640. "If a legitimate local purpose is found, then the question becomes one of degree." *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970). Under this standard, state rules permissibly may apply to interstate business operations despite their burden on interstate commerce. *E.g., South Carolina State Highway Dept. v. Barnwell Bros.*, 303 U.S. 177 (1938) (state truck width and weight regulation applied equally to intrastate and interstate businesses).

The three infirmities suffered by the Illinois Business Takeover Act at issue in *MITE*, *see* 457 U.S. at 641-45, are completely absent here:

First, as in *Barnwell Bros.*, petitioners' activities within Illinois would be unlawful under the Illinois Anti-Dilution Act even if they were being done by a wholly intrastate business enterprise. *Compare Edgar v. MITE*, 457 U.S. at 641-42.

Second, the only burden on commerce petitioners can concoct is their assertion that a few television viewers in Indiana may doubt the relationship between petitioners' offices in Illinois and Indiana. (Pet. 10.) This is surely a

constitutionally immaterial burden on interstate commerce, and the absence of an Anti-Dilution Act in Indiana cannot effectively repeal Illinois' statute. Moreover, the Seventh Circuit's application of the Illinois Anti-Dilution Act to petitioners' unlawful behavior in Illinois imposes minimal burdens on petitioners themselves. Although petitioners will have to modify Hyatt Legal Services' television commercials, such commercials admittedly "get stale and have to be changed constantly." (Tr. 97.) Petitioners will also have to modify approximately eleven signs in Illinois, at an average cost of $800 per sign. (Tr. 97; Pl.Ex. 14.) Considering that petitioners annually spend approximately $3 million dollars in advertising, the "burden" imposed by an injunction modifying petitioners' unlawful behavior in Illinois is indeed minimal. *Compare Edgar v. MITE*, 457 U.S. at 643 (state statute blocked nationwide tender offer); *Pike v. Bruce Church*, 397 U.S. at 139-140 (contested order would have compelled plaintiff to construct a $200,000 facility in Arizona, even though plaintiff already had an adequate facility 31 miles away in California).

Third, unlike the challenged statute in *MITE*, the Illinois Anti-Dilution Act provides the only protection for Hyatt's valuable, state-created property right; without injunctive relief under the Illinois Anti-Dilution Act, that valuable right would enjoy no protection. *Compare Edgar v. MITE*, 457 U.S. at 644 (same protection afforded by federal law and challenged state statute); *Pike v. Bruce Church*, 397 U.S. at 143-44 (contested order did not even serve purported purpose of state statute under which it was issued).

Finally, *Bibb v. Navajo Freight Lines, Inc.*, 359 U.S. 520, 523 (1959), upon which petitioners also rely (Pet. 11), is inapposite because the Seventh Circuit expressly allowed petitioners to select Hyatt Legal Services' new name

so that they could comply with both the various state ethics provisions to which they are subject and the Anti-Dilution Act. (Pet. App. 9a n.5.)[3] In *Bibb*, the conduct required by the challenged state statute was expressly made illegal by another state's law. 359 U.S. at 527. Moreover, twenty-two states, from New York to California and from Florida to Montana, have Anti-Dilution Acts literally identical to Illinois' Act. (Pet. App. E.) By contrast, the conduct Illinois forbade by the statute at issue in *Bibb* was lawful in forty-five other states. 359 U.S. at 523.

4. An Illinois Court Having Personal Jurisdiction Over Petitioners May Enjoin Petitioners' Conduct Outside of Illinois that Injures Hyatt's Illinois Property Rights.

Petitioners fail to understand that the relief granted here is functionally and constitutionally no different than the relief—injunctive or monetary—routinely awarded in a variety of tort and contract cases involving defendants who operate in several states and violate property or contractual rights protected under the applicable state law. *E.g., Keeton v. Hustler Magazine, Inc.*, ____ U.S. ____, 79 L.Ed.2d 790 (1984); *Allstate Ins. Co. v. Hague*, 449 U.S. 302, 312-13 (1981). Here, petitioners have never contested personal jurisdiction or the applicability of the Illinois Anti-Dilution Act (rather than some other state's Anti-Dilution Act) to their actions.

In *Keeton* this Court held that a tort plaintiff could obtain nationwide relief under the applicable state law in a single lawsuit if that State's substantive law permitted

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[3] No attorney disciplinary authority has told petitioners that they cannot use the name Joel Hyatt Legal Services, one of the alternative names the Seventh Circuit suggested. (Pet. App. 9a; Tr. 87, 88.)

such relief. 79 L.Ed.2d at 799 n.9. Thus, this Court found no constitutional impediment to nationwide relief premised on local law.[4]

Keeton applies *a fortiori* here. Hyatt, an Illinois resident, is in an Illinois federal court seeking protection under Illinois law of its Illinois property rights. Petitioners have "continuously and deliberately exploited" the Illinois market, have numerous offices in Illinois, and are practicing law there. Just as Hustler "can be charged with knowledge" of a New Hampshire rule that permits a libel suit for "nationwide damages" (79 L.Ed.2d at 802), the petitioners here—all of whom are lawyers—are charged with knowledge of the Illinois Anti-Dilution Act and the long-established power of the Illinois courts to enjoin petitioners' activities outside Illinois.[5]

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[4] Petitioners cite *Pennoyer v. Neff*, 95 U.S. 714 (1877) for the "elementary principle" that "the laws of one State have no operation outside of its territory"—a principle petitioners assert (seriously, one presumes) that this Court has adhered to "without exception." (Pet. 13.) Four years ago, however, this Court labelled petitioners' "elementary principle" a "shibboleth." *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 293 (1980). More than a quarter of a century ago, this Court explained the reason for its departure from petitioners' "elementary principle":

> Today many commercial transactions touch two or more States and may involve parties separated by the full continent. With this increasing nationalization of commerce has come a great increase in the amount of business conducted by mail across state lines. At the same time modern transportation and communication have made it much less burdensome for a party sued to defend himself in a State where he engages in economic activity.

McGee v. Int'l Life Ins. Co., 355 U.S. 220, 222-23 (1957) "The historical developments noted in *McGee*, of course, have only accelerated in the generation since that case was decided." *World-Wide Volkswagen, supra*, 444 U.S. at 293.

[5] *See Polaroid Corp. v. Polaraid, Inc.*, 319 F.2d 830 (7th Cir. 1963) (court enjoined non-Illinois conduct under Illinois Anti-

(Footnote continued on following page)

Further, fundamental notions of fairness and judicial economy support the grant of complete relief in a single action. As this Court stressed in *Keeton*, complete relief in a unitary action reduces "the potential serious drain . . . on judicial resources" and "also serves to protect defendants from harassment resulting from multiple suits." 79 L.Ed.2d at 799.[6]

5. The Lanham Act Has Not Preempted State Trademark Law.

Petitioners' preemption argument (Pet. 15-18) is premised on an erroneous analogy to federal patent and copyright law. Federal patent and copyright laws create and define limited monopolisitic rights mandated by the United States Constitution, Art. I, § 8. In so doing they strike a balance between promoting invention and preserving free competition. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230-231 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964). They effectuate

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[5] *continued*
Dilution Act where defendant engaged in interstate business in Illinois, Indiana and Iowa); *Instrumentalist Co. v. Marine Corps League*, 509 F.Supp. 323, 340 (N.D.Ill. 1981) ("It would be the height of absurdity to hold that Illinois had a legitimate interest in protecting vested rights (especially those of Illinois residents) against dilution but that, having acquired jurisdiction over an offender, courts sitting in Illinois would be helpless to deal with dilutive acts once they crossed state lines.").

[6] Petitioners contend that the Seventh Circuit's "broad interpretation" of the anti-dilution provision of the Model State Trademark Act renders illegal conduct which in other States might be legal. This contention, even if true, is irrelevant as a matter of law. As this Court held in *Keeton*, 79 L.Ed.2d at 800:

> Petitioner's successful search for a State with a lenghthy statute of limitations is no different from the litigation strategy of countless plaintiffs who seek a forum with favorable substantive or procedural rules or sympathetic local populations.

this carefully drawn balance by preempting state law,[7] establishing uniform federal standards, and providing an exclusive federal forum for adjudicating copyright and patent claims. 28 U.S.C. § 1338(a).

By contrast, the Lanham Act strikes no such delicate balance. It merely codifies one aspect of unfair competition law, leaving undisturbed the vast common law of unfair competition, of which dilution is but one part. *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 372 (1st Cir. 1980). Whereas there are *no* state patent or copyright laws, there are state trademark laws in *all fifty states*. 5 Callmann, *Unfair Competition, Trademarks and Monopolies* § 40.35 (4th Ed. 1984). Similarly, whereas copyright and patent are cognizable *only* in federal court, federal trademark claims may be brought in both federal and state courts. Indeed, Congress expressly recognized the non-exclusivity of the Lanham Act by granting the federal district courts original (but *not* exclusive) jurisdiction over civil actions simultaneously asserting a claim under the trademark laws *and* "a claim of unfair competition." 28 U.S.C. § 1338(b).[8]

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[7] Section 301 of the Copyright Act expressly preempts state copyright law. 17 U.S.C. § 301. Federal preemption under the patent laws is inherent in the statutory scheme. *Sears*, 376 U.S. at 229.

[8] In view of these distinctions between copyright and patent, on the one hand, and trademark, on the other, petitioners' reliance on this Court's decisions in *Sears* and *Compco* (Pet. 16-17) is plainly misplaced. In both cases the Court relied on the grant of monopoly rights in preempting state law. *Sears*, 376 U.S. at 230-231; *Compco*, 376 U.S. at 237. By contrast, the Lanham Act legislative history upon which petitioners rely expressly disclaims any such purpose, stating: "Trademarks are not monopolistic grants like patents and copyrights." S.Rep. No. 1333, 79 Cong. 2d Sess., *reprinted in* U.S. Code Cong. Serv. 1274.

Where Congress has intended preemption by the Lanham Act it has made its purpose plain. Thus, in 1982 Congress enacted Section 39a of the Act, which expressly preempted state trademark display rules that undermined the federal scheme.[9] If state anti-dilution statutes undermine the very essence of the federal statutory scheme, then surely Congress would not have preempted only state display rules while leaving intact the anti-dilution statutes of twenty-two states.

In short, the Illinois Anti-Dilution Act complements rather than frustrates the purpose of the Lanham Act. It does not permit what the Lanham Act prohibits, *i.e.*, a *confusing* use of a mark, 15 U.S.C. § 1114(1). The Anti-Dilution Act expressly applies where there is *no* confusion. Ill.Rev.Stat. ch. 140, § 22. The Illinois Anti-Dilution Act—like its counterparts in twenty-one other states—protects trademark owners against a substantially different invasion of property rights: "injury to business reputation" and "dilution of the distinctive quality of the mark." *Id.*

> [The] injury [of dilution] differs materially from that arising out of orthodox confusion [caused by infringement]. * * * Such confusion leads to immediate in-

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[9] Section 39a provides as follows:

> No state or other jurisdiction of the United States or any political subdivision or any agency thereof may require alteration of a registered mark, or require that additional trademarks, servicemarks, trade names, or corporate names that may be associated with or incorporated into the registered mark be displayed in the mark in a manner differing from the display of such additional trademarks, servicemarks, tradenames, or corporate names contemplated by the registered mark as exhibited in the certificate of registration issued by the United States Patent and Trademark Office.

15 U.S.C. § 1121a.

> jury, while dilution is an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark.

Polaroid Corp. v. Polaraid, Inc., 319 F.2d 830, 836 (7th Cir. 1963).

The federal and Illinois statutes thus operate in different and complementary realms. State anti-dilution statutes are no different than state trade secret or disparagement laws, which recognize and protect proprietary business interests notwithstanding complementary federal statutory protection. *See Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974) (California trade secret law not preempted by federal patent law).

Finally, contrary to petitioners' assertion (Pet. 17-18), there is no conflict among the Circuits on the preemption issue. The dicta in petitioners' Ninth Circuit preemption precedent was expressly rejected and a contrary rule announced in *Golden Door, Inc. v. Odisho*, 646 F.2d 347, 352 (9th Cir. 1980); petitioners' fifty-year-old Seventh Circuit precedent has long since been superseded in that Circuit by cases—including this one and *Polaroid, supra*—granting multi-state relief under the Illinois Anti-Dilution Act while denying relief under the Lanham Act; and petitioners' Eighth Circuit precedent did not involve an Anti-Dilution Act.

CONCLUSION

For these reasons, the petition for writ of certiorari should be denied.

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October 19, 1984

No. 84-446

Office - Supreme Court, U.S.
FILED
NOV 1 1984
ALEXANDER L. STEVAS
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

HYATT LEGAL SERVICES and JOEL HYATT,

Petitioners,

—v.—

HYATT CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

REPLY BRIEF FOR PETITIONERS

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REPLY BRIEF FOR PETITIONERS

Respondent's brief in opposition does not seriously dispute the importance of the constitutional questions presented by the Seventh Circuit's novel decision that Hyatt Legal Services may not continue to operate under the surname of its founding partner, as it has for the past seven years. Instead, respondent stresses procedural objections that can neither withstand analysis nor make the constitutional questions less ripe for review.

1. The Commerce Clause

Hyatt Hotels does not deny that, among anti-dilution statutes, the Illinois Act (as interpreted by the Seventh Circuit, but not by the Supreme Court of Illinois) is an anomaly: It renders illegal the use and advertising of a name in Illinois, although that name is lawful in all or most other states, and has not been shown to be confusing, to

constitute unfair competition or to cause any discernible injury to respondent or the public. (Pet. at 8-9 & 14)[1] Respondent does not even deny that the Court of Appeals' construction of the Illinois statute would impose substantial burdens upon interstate businesses, like Hyatt Legal Services.

Moreover, respondent apparently agrees that, under the Seventh Circuit decision, an Illinois cement maker named Calvin Klein *could* halt sales in that state by the fashion designer with the same name. For Hyatt Hotels, the only issue is how much local advertising would be needed for the cement maker to require the designer to change its established name. (Opp. Br. at 8)

These tacit concessions are themselves sufficient to demonstrate that the decision below raises significant questions under the Commerce Clause.

Respondent also fails in its attempt to reconcile the decision below with the Commerce Clause principles articulated and applied in *Edgar* v. *Mite Corp.*, 457 U.S. 624 (1982). (Opp. Br. at 9-10) In at least three respects, respondent misreads both *Edgar* and the record in this case.

First, respondent asserts that the burdens imposed upon Hyatt Legal Services under the injunction ordered will be "minimal"—a matter of changing stationery and store signs. (Opp. Br. at 10) This ignores the District Court's opinion, as well as common sense. As the District Court recognized, a new name would require extensive changes in the law firm's operations; it would also compel Hyatt Legal Services to bear the difficult-to-measure "cost of re-educating the public to a different name or of accepting disclaimers . . . ." (Pet. app. B at 17a) A court order requiring a law firm to change its name would inevitably injure that firm's good will and reputation.

Second, Hyatt Hotels is simply mistaken in asserting that the Illinois Act "provides the only protection" for its state rights in the Hyatt name. (Opp. Br. at 10) The panoply of rights created by other

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1 "Pet." and "Opp. Br." are used in this brief as abbreviations for petitioners' Petition and respondent's brief in opposition.

Illinois trademark laws (*see* Ill. Rev. Stat. ch. 140, §§ 19-21 & 24-27 (Supp. 1984)) fully protect respondent's service mark—as does the Lanham Act. The Seventh Circuit, however, has chosen to go beyond these statutes, just as it did in *Edgar* v. *Mite Corp.*, *supra*, where provisions in the Illinois Business Takeover Act improperly went "beyond those mandated by the Williams Act." 457 U.S. at 645. In *Edgar*, this Court recognized that these extra "safeguards" were illusory and could not justify the burdens that they imposed upon interstate trade. *Id.* The added "protection" here is equally unjustifiable.

Third, respondent suggests that *Edgar* is inapplicable, and the injunction appropriate, because Hyatt Hotels is headquartered in Illinois and the Illinois Act advances the State's interest in protecting the "marks of [Illinois] citizens." (Opp. Br. at 9) Again, this Court dismissed a similar argument in *Edgar*, observing that the application of the Illinois statute there, like the Illinois Anti-Dilution Act, was not limited by local citizenship or principal place of business and thus could not be justified as protecting Illinois interests. 457 U.S. at 645.

2. Extraterritorial application of the Illinois Anti-Dilution Act

In arguing for extraterritorial application of the Illinois Act, respondent relies upon *Keeton* v. *Hustler Magazine, Inc.*, 104 S. Ct. 1473 (1984).[2] Nothing in *Keeton*, however, supports respondent's position that Illinois may extend its laws to Hyatt Legal Services' activity in other states and bar the firm from operating under a name that is lawful in those states.

In *Keeton*, the Court addressed the question whether New Hampshire had jurisdiction to entertain a libel suit that was time-barred in other states where the alleged libel had circulated. It did not rule upon the extraterritorial application of New Hampshire law. To the contrary, in finding jurisdiction, the Court articulated the limits of

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2 Petitioners maintain that the Court of Appeals decision did not, and could not, require an injunction outside Illinois. Respondent contends the contrary, and we address its arguments here.

its holding: "We conclude only that the district court has jurisdiction to *entertain* petitioner's multi-state libel suit." 104 S. Ct. at 1480 n.9 (emphasis in original). The Court emphasized that its ruling did not address "[t]he question of the applicability of New Hampshire's statute of limitations to claims for out-of-state damages . . . ." *Id.* at 1480.

Respondent's one other citation from this Court, *Allstate Insurance Co.* v. *Hague*, 449 U.S. 302 (1981), actually confirms the unconstitutionality of an extraterritorial application of Illinois' anomalous anti-dilution law. In *Allstate*, the Court affirmed that the Due Process Clause prohibited a state from applying its laws to an out-of-state transaction unless there existed "a significant contact [with the transaction] . . . creating state interests." 449 U.S. at 313. Here, Hyatt Legal Services' operations in Ohio, California and other states, have no contact at all with Illinois.

Finally, the elementary principle for which we cited *Pennoyer* v. *Neff*, 95 U.S. 714, 722 (1877)—that Illinois has no power to project its anti-dilution law into other states—is hardly a "shibboleth." (Opp. Br. at 12 n.4) While subsequent cases have revised the section of the *Pennoyer* decision concerning personal jurisdiction, *Pennoyer*'s declaration of the fundamental limits on state regulatory power remains sound law. *See, e.g., Southern Pacific Co.* v. *Arizona*, 325 U.S. 761, 775 (1945); *Baldwin* v. *G.A.F. Seelig, Inc.*, 294 U.S. 511, 521 (1935); *Aetna Life Insurance Co.* v. *Dunken*, 266 U.S. 389 (1924). Each case cited by respondent in its efforts to avoid *Pennoyer* involves personal jurisdiction only, not, as in this case, an attempt to apply state law extraterritorially. (Opp. Br. at 12 n.4)

3. Preemption

On the preemption issue, Hyatt Hotels addresses arguments we never made. Contrary to respondent's suggestion, we do not challenge the constitutionality of trademark laws in all 50 states or of anti-dilution statutes outside of Illinois. (Pet. app. E) We challenge only the Seventh Circuit's unique construction of the Illinois Anti-Dilution Act because (among other things) that construction would enlarge the rights of federal trademark holders beyond the bounda-

ries established by Congress, and would proscribe conduct lawful under the Lanham Act. It would not, as Hyatt Hotels argues, merely operate in a "different and complementary realm" with the Lanham Act. (Opp. Br. at 16) As this case demonstrates, under the Court of Appeals' decision Illinois' trademark law would be applied to prohibit petitioners' interstate law firm from offering its legal services in a manner that the Lanham Act recognizes as proper.

4. The interlocutory nature of the order

Respondent argues that certiorari should be denied because the injunction would be preliminary, not permanent. (Opp. Br. at 7) This argument ignores the actual impact of the injunction, the fact that it raises serious constitutional questions, and this Court's historical willingness to review preliminary injunctions under comparable circumstances.

Unless this Court intervenes now, Hyatt Legal Services will, in the near future, have to abandon its established name in Illinois—and, according to respondent, in all other states where it now practices law or may do so. There is nothing hypothetical about such an injunction or the injury it would cause.[3] Nor is there any basis to assume that, if petitioners ultimately prevail, the harm could be ameliorated by changing the name back to Hyatt Legal Services. To the contrary, such a "flip flop" might only serve to aggravate the injury. In short, a preliminary injunction could well be the end of the ball game.

Moreover, the constitutional infirmities of such an injunction would be no different now than at the end of trial. Deferring resolution of the constitutional questions would only permit the Seventh Circuit's error to confuse the law further—and, of course, to injure petitioners irreparably. (Pet. app. B at 17a)

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3 Compare *Brotherhood of Locomotive Firemen* v *Bangor & Aroostock Railroad Co.*, 389 U.S. 327 (1967), cited by respondent (Opp. Br. at 7), where the questions presented were hypothetical since the circuit court had merely ruled on "various legal [contempt] issues" but had remanded to the district court "to consider whether there had in fact been a contempt." 389 U.S. at 328.

This Court has regularly reviewed preliminary injunction orders where, as here, important questions are presented. *E.g.*, *Jacksonville Bulk Terminals, Inc.* v. *International Longshoremen's Ass'n*, 457 U.S. 702 (1982) (preliminary injunction barring work stoppage); *Community Communications Co.* v. *City of Boulder*, 455 U.S. 40 (1982) (preliminary injunction under the Sherman Act); *County of Imperial* v. *Munoz*, 449 U.S. 54 (1980) (preliminary injunction barring enforcement of land permit provisions); *Houchins* v. *KQED, Inc.*, 438 U.S. 1 (1978) (preliminary injunction granting media access to jail). We respectfully submit that there is every reason for it to do so here.

5. Respondent's waiver argument

Although it is the first point in respondent's brief, the waiver argument deserves little attention. It is purely technical, as demonstrated by respondent's failure even to claim prejudice or surprise. It is also erroneous.

The evidentiary hearing and arguments in the District Court focused on the Lanham Act. (Tr. at 107-118) Once the Court of Appeals' decision altered the focal point of this suit, petitioners, in their petition for rehearing, expressly raised each of the consitutional questions presented here. Thus, these questions were preserved for review on certiorari. *See United States* v. *Mendenhall*, 446 U.S. 544, 551 n.5 (1980).

This Court, moreover, has not hesitated to review important questions even if they are raised for the first time in a petition for certiorari. *E.g.*, *Carlson* v. *Green*, 446 U.S. 14, 17 n.2 (1980); *Youakim* v. *Miller*, 425 U.S. 231 (1976). *Cf. United States* v. *Patrin*, 575 F.2d 708, 712 (9th Cir. 1978) (appellate review appropiate where "the issue . . . neglected in the trial court is purely one of law."). *A fortiori*, when, as here, important constitutional issues are expressly raised in the Court of Appeals and there is no possible surprise or prejudice, an improper injunction should not be permitted on some attenuated "waiver" ground.

Conclusion

For the foregoing reasons, as well as the reasons set forth in petitioners' Petition, the Court should grant a writ of certiorari to review the decision below.

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Dated: November 1, 1984